

VZCZCXRO4063  
RR RUEHROV  
DE RUEHDS #1977/01 2291013  
ZNR UUUUU ZZH  
R 171013Z AUG 09  
FM AMEMBASSY ADDIS ABABA  
TO RUEHC/SECSTATE WASHDC 5873  
INFO RUCNIAD/IGAD COLLECTIVE  
RUEPADJ/CJTF HOA  
RUEAIIA/CIA WASHINGTON DC  
RUEKDIA/DIA WASHINGTON DC  
RUEWMFD/HQ USAFRICOM STUTTGART GE  
RUEKJCS/JOINT STAFF WASHINGTON DC  
RUEHLMC/MILLENNIUM CHALLENGE CORP  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 03 ADDIS ABABA 001977

SIPDIS  
SENSITIVE

DEPARTMENT FOR EEB/IFD/OMA - JWINKLER AND EEB/CBA - DWINSTEAD  
DEPT PASS TO USTR FOR PATRICK COLEMAN, CECILIA KLEIN, AND BARBARA  
GRYNIEWWICZ  
DEPT OF COMMERCE WASHDC FOR ITA MARIA RIVERO  
DEPT OF TREASURY WASHDC FOR REBECCA KLEIN

E.O. 12958: N/A  
TAGS: [BEXP](#) [ETRD](#) [ECON](#) [EFIN](#) [EINV](#) [PREL](#) [OVIP](#) [ET](#)  
SUBJECT: USTR KIRK VISIT HIGHLIGHTS TRADE OPPORTUNITIES

ADDIS ABAB 00001977 001.2 OF 003

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SUMMARY  
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1. (SBU) U.S. Trade Representative (USTR) Ambassador Ron Kirk and his delegation visited Ethiopia from August 6-9 to highlight trade opportunities with the United States. During his meeting with Prime Minister Meles Zenawi, Ambassador Kirk praised Ethiopia's success under the U.S. African Growth and Opportunity Act (AGOA), but stated that there is significant potential for additional growth. Ambassador Kirk urged Meles to continue moving forward with Ethiopia's World Trade Organization (WTO) accession process and liberalize the telecommunications and financial services sectors in order to reduce the cost of doing business in Ethiopia and increase global competitiveness. Meles admitted that Ethiopia was working to improve the weak telecommunications infrastructure and acknowledged there would be some room for liberalization within five years. Regarding the financial sector, Meles said some openings have occurred already, but that further liberalization "will be an issue." Meles echoed Ambassador Kirk's desire to move to the next stage of WTO accession negotiations and said he hoped to start bilateral talks soon. Ambassador Kirk visited USAID-supported factories--Almeda Textile and Peacock Shoe--both of which are AGOA beneficiaries. He also delivered the keynote address to over 80 attendees at a business luncheon and led a press roundtable with 20 local and international journalists. His visit received extensive positive local media coverage, including print and television. END SUMMARY.

PM MELES ON TRADE, TELECOM, AND FINANCIAL SERVICES  
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2. (SBU) USTR Ambassador Ron Kirk and his delegation met with Prime Minister Meles Zenawi to discuss trade and investment issues. Ambassador Kirk opened the meeting stating that Ethiopia has experienced success under AGOA, but that there is room for additional growth. He also urged Meles to liberalize the telecommunications and financial services sectors while detailing the challenges businesses face with poor phone and internet connectivity. Meles responded by stating that Ethiopia values the AGOA program and hopes this program will continue. Meles admitted

Ethiopia's telecommunications infrastructure is weak and said that five years down the line there will be "some room for telecommunications liberalization." Ethiopia is currently working on improving the infrastructure and offering value-added telecommunications services from the private sector. Regarding the financial services sector, Meles stated there has been some liberalization, but indicated that further liberalization "will be an issue" as Ethiopia moves forward with WTO accession negotiations. Meles cited World Bank Chief Economist Justin Lin's comments included in a recent Economist magazine article as support for his argument that "early liberalization is not necessarily the way to go" with financial services.

13. (SBU) In terms of Ethiopia's WTO accession, Ambassador Kirk expressed the need to move the process forward to the bilateral negotiations phase. Meles stated that Ethiopia is now moving to that stage and he hoped to start the talks soon. He added that there is no future for Ethiopia without being a part of global integration, but cautioned that others would need to be understanding regarding the pace of this integration.

14. (SBU) Other topics of discussion included Ethiopia's foreign exchange crisis and recent problems in the coffee industry. Meles explained the origins of Ethiopia's foreign exchange crisis starting with high world oil and fertilizer prices in 2008, which drove up inflation rates. Meles said Ethiopia has been devaluing the Ethiopian Birr over time in coordination with the International Monetary Fund (IMF) and should be receiving an influx of foreign currency from the IMF within two months. Meles disassociated the decline in coffee exports from the foreign exchange crisis, saying the coffee sector issues were a "different problem." (Note: In early 2009, the Ethiopian Government seized coffee stocks from major exporters and revoked their export licenses claiming they were "hoarding" coffee since the global price of coffee was historically

ADDIS ABAB 00001977 002.2 OF 003

low. End note.) Meles blamed the coffee sector problems on companies having to operate with more transparency and trading through the newly-established Ethiopian Commodity Exchange (ECX). He affirmed that Ethiopia has now "sorted out the problem" and that coffee exports are back on track.

15. (U) Ambassador Kirk closed the meeting by urging Ethiopia to diversify its commercial interests by not only focusing on export sectors, but producing for the domestic market as well. He went on to state that the African continent has the potential to be seen by the global business community like the Chinese and Indian markets and that East Africa will not be dynamic without Ethiopia's leading role. Meles said he was "very pleased" with the Ethiopian diaspora and other Americans who are investing and providing assistance in Ethiopia right now, but welcomed additional assistance to build Ethiopia's capacity to manufacture goods at competitive prices. Ambassador Kirk told Meles that the United States would be happy to play a role in this type of assistance.

AGOA IN ACTION: TEXTILE AND SHOE FACTORY VISITS

16. (SBU) Ambassador Kirk visited two AGOA beneficiaries during his visit: Almeda Textile Factory outside of Axum in northern Ethiopia and Peacock Shoe Factory in Addis Ababa. USAID provides support to the Almeda Factory under their AGOA+ program as they export garments to the U.S. market. Almeda is one of the few vertically-integrated textile to garment factories in Ethiopia, employing over 3,000 employees. The factory exported over USD 150,000 in sports attire and uniform aprons to the United States in the past year, but current orders from new U.S. buyers should significantly increase these figures. USAID assists the Peacock Shoe Factory under their Fintrac partner program and the factory just shipped its first sample lot of men's dress shoes worth USD 110,000 to the U.S. market. Peacock Shoe Factory maintains nearly 400 employees.

EXTENSIVE PUBLIC OUTREACH

17. (U) The U.S. Chamber of Commerce and the newly-formed American

Chamber of Commerce (AmCham) Ethiopia hosted a business luncheon in honor of Ambassador Kirk. He delivered the keynote address to over 80 attendees from both the public and private sectors. Ambassador Kirk echoed themes from President Obama's recent speech in Ghana stating that change must come from within Africa. He encouraged Ethiopia to take full advantage of the U.S. trade preference programs noting that Africa currently only exports about 60 products of the over 6,500 products eligible for duty-free access into the United States under AGOA. Ambassador Kirk informed the crowd that the U.S. can assist with trade capacity issues and that it welcomed Ethiopia's continued progress towards WTO accession. He closed his remarks stating that Ethiopia's economic reforms--especially in terms of the telecommunications and financial sectors--were key to increased trade and economic prosperity.

18. (U) Ambassador Kirk also led a press roundtable of 20 international and local press members and gave brief television interviews with state-owned ETV at the Prime Minister's Office and at the Peacock Shoe Factory. His visit received extensive positive coverage in local English and Amharic language newspapers as a result of these press events. Most local coverage focused on his message of Ethiopia's status as key U.S. trading partner in Africa; Ethiopia's success, challenges, and potential under AGOA; and the U.S. interest in moving the WTO accession process forward. The Ambassador's clear public message of the need to liberalize the telecommunications and financial service sectors in order to increase U.S. investment in Ethiopia received particular attention and provides helpful top-cover for other stakeholders to press on these issues.

#### DELEGATION DETAILS

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19. (SBU) Ambassador Kirk's delegation of ten people arrived in Addis Ababa for its August 6-9 visit straight from the annual AGOA Forum in Nairobi, Kenya. The delegation included the Deputy USTR Ambassador Demetrios Marantis, Assistant USTR for Africa Florizelle

ADDIS ABAB 00001977 003.2 OF 003

Liser, Assistant USTR for Public and Media Affairs Carol Guthrie, USTR Director for African Affairs Patrick Coleman, U.S. House Ways and Means Committee Majority and Minority Trade Counsels Alexander Perkins and Angela Ellard, and U.S. Chamber of Commerce Africa Business Initiative Executive Director and Associate Director Scott Eisner and Danielle Walker. The delegation also received briefings from the USAID-funded WTO Accession and AGOA+ teams and held a dinner discussion with key private sector representatives during their visit.

110. (U) USTR cleared this cable.

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